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Message Text

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17-12
ACTION EUR-25

INFO OCT-01 EA-11 IO-15 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SPC-03

SS-15 USIA-15 ACDA-19 STR-08 CEA-02 AID-20 COME-00

EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06

SIL-01 OMB-01 DRC-01 /215 W
---------- 009795
R 031602Z OCT 73
FM AMEMBASSY THE HAGUE
TO SECSTATE WASHDC 2114
INFO AMEMBASSY SAIGON
USMISSION EC BRUSSELS
USMISSIO NATO
USMISSION OECD PARIS
USMISSION USUN NEW YORK

LIMITED OFFICIAL USE THE HAGUE 4391

E.O. 11652: N/A
TAGS: EAID, EFIN, NL
SUBJECT: NETHERLANDS DEVELOPMENT AID BUDGET AND RELATED POLICY

REF: HAGUE 4327 (NOTAL) AND 1854 (NOTAL)

SUMMARY: FURTHER INFORMATION IS REPORTED TO SUPPLEMENT REFTEL CONCERNING INDOCHIA ITEM IN 1974 PROPOSED BUDGET AND REDEFINITION OF FUTURE GOALS IN TERMS OF NATIONAL INCOME RATHER THAN GNP. END SUMMARY.

1. AS REPORTED REFTEL, 24 MILLION GUILDERS ARE INCLUDED IN PROPOSED 1974 AID BUDGET FOR INDOCHINA BESIDES SEPARATE 4 MILLION FOR MEKONG COMMISSION (INCREASED FROM 1.8 MILLION UNDER 1973 BUDGET). THIS IS IN ADDITION TO 16 MILLION FOR INDOCHINA IN 1973 BUDGET WHICH IS STILL BEING HELD AWAITING DECISION HOW TO USE IT. TOTAL
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OF 40 MILLION FROM TWO BUDGETS IS 10 MILLION INCREASE OVER

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2-YEAR AMOUNT PROMISED BY PREVIOUS GOVT. MFA STATEMENT ON 1974
BUDGET INDICATES THAT, WHILE USE OF THESE AMOUNTS FOR BILATERAL
AID IS POSSIBLE, MULTILATERAL MANAGEMENT OF AID TO INDOCHINA
IS PREFERRED.

2. WE INQUIRED OF WITTE, MFA DIRECTOR OF FINANCIAL-ECONOMIC DEV-
ELOPMENT AID, ABOUT STATUS OF 1973 BUDGET AND GON THINKING CON-
CERNING USE OF ENTIRE AMOUNT. WITTE RESPONDED THAT MEKONG COMM-
ISSION HAD NOT SEEMED IDEAL CHANNEL EVEN THOUGH GON PREFERS
MULTILATERAL APPROACH AMONG BOTH DONORS AND RECIPIENTS. CIRCUM-
STANCES (READ MILITARY ACTION) HAD DISCOURAGED BILATERAL ARR-
ANGEMENTS WITH ANY OF FOUR COUNTRIES UNDER CONSIDERATION. NO
MULTILATERAL APPROACH HAD YET TAKEN SHAPE. HENCE NO COMMITMENT
YET UNDERTAKEN AGAINST INDOCHINA BUDGET ITEM. IDEAL SITUATION
WOULD BE IF WORLD BANK PLUS ASIAN DEVELOPMENT BANK WOULD ORGANIZE
CONSORTIUM FOR ALL FOUR RECIPIENT COUNTRIES. THIS MIGHT BE VARIED
TO INCLUDE LESS THAN ALL FOUR RECIPIENTS, OR TO BE ORGANIZED BY
ONE OF THE BANKS. ANOTHER ALTERNATIVE WOULD BE IGGI-TYPE
ARRANGEMENT--ORGANIZED BY DONORS--BUT WITTE SAID GON COULD NOT
UNDERTAKE ORGANIZATION OR CHAIRING OF SUCH GROUP.

3. WITTE RELATED THAT IBRD HAS INVITED PROSPECTIVE DONORS TO
MEETING IN PARIS ON OCT 16 JUST BEFORE HIGH LEVEL DAC MEETING.
WITTE WILL ATTEND FOR GON. MEETING DESCRIBED AS PRELIMINARY,
FOR PURPOSE OF OBTAINING VIEWS FROM PARTICIPANTS ON HOW TO
APPROACH INDOCHINA QUESTION. IT IS HOPED DISCUSSION WILL LEAD TO
ORGANIZED RESPONSE TO INDOCHINA AID PROBLEM. WITTE INDICATES THAT
GON MAY BE GUIDED BY OUTCOME OF THIS MEETING AND CONSIDERS IT MOST
PROMISING STEP TOWARD ACTION BY GON AS WELL AS OTHER DONORS AT
THIS TIME.

4. BUDGET PRESENTTION DEFINES MEDIUM TERM AID OBJECTIVE AS 1.5
PERCENT OF NET NATIONAL INCOME AT FACTOR COST TO BE DEVOTED
TO TOTAL AID PROGRAM BY 1976. TOTAL AID PROGRAM IN THIS
CONTEXT MEANS TOTAL DEVELOPMENT AID BUDGET, ACCORDING TO OUR MFA
CONTACTS. IT DOES NOT INCLUDE COMMERCIAL INVESTMENTS OR NON-GOVT
DEVELOPMENT PROJECTS. UNDER THIS DEFINITION, 1974 AID PROGRAM WILL
COMMAND ESTIMATED 0.9 PERCENT OF NATIONAL INCOME, AS COMPARED
TO 0.86 PERCENT IN 1972 AND 0.83 PERCENT IN 1973. ROUGHLY
90 PERCENT OF 1972-74 AID BUDGETS ARE CLASSIFIED BY GON AS OFF-
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ICIAL DEVELOPMENT AID (ODA), REMAINDER BEING LRGELY ADMINIS-
TRATIVE COSTS. COMPARISION OF ODA BUDGETS WITH CURRENT GNP FIGURES
REVEALS THAT 1974 ODA SHOULD AMOUNT TO 0.65 PERCENT OF GNP, AS
COMPARED TO 0.64 PERCENT IN 1972 AND
0.59 PERCENT IN 1973. MFA INFORMS US THAT LONG-TERM OBJECTIVE OF
0.7 PERCENT IN 1975 IS EXPECTED TO BE ATTAINED OR SURPASSED.
REASON
FOR REDEFINING OBJECTIVE FOR 1976 IS THAT LABOR PARTY,

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NOW IN GOVT, HAS HISTORICALLY PRESENTED DEVELOPMENT AID IN TERMS
OF NATIONAL INCOME RATHER THAN GNP.

5. PARAS 1 AND 4 ARE UNCLASSIFIED.
TANGUY

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